

***CAPITAL IMPROVEMENTS
PROGRAMMING HANDBOOK***

**SOUTHERN NEW HAMPSHIRE
PLANNING COMMISSION**

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THE PURPOSE OF THE HANDBOOK

This handbook has been prepared as a guide to the preparation of capital improvement programs for local planning boards and towns in New Hampshire. A number of the state's cities have implemented ongoing, sophisticated processes of identifying and scheduling capital improvements. This handbook is intended as a "self-help" manual, primarily for planning boards of smaller communities, who want to prepare a capital improvements program which meets New Hampshire statutory requirements and which is consistent with generally accepted planning practice.

In many communities, the combined talents of planning board members comprise the basic skills and resources needed to prepare a capital improvements program without professional assistance. This handbook addresses their need for an organizational framework and sample forms to expedite the process by which voluntary boards and committees can prepare a capital improvements program tailored to unique local needs. Planning boards should feel free to develop their own approach and format for capital improvements programming, or to adapt the forms provided in this manual to local needs.

Throughout the handbook, an attempt has been made to distinguish between those elements and procedures of capital improvements programming which are *mandated* by the New Hampshire statutes, and those which are *recommended* practices. For the smallest communities having few capital investment needs, a simplified process addressing minimum statutory requirements will be sufficient. In most cases, however, a capital improvements programming process should follow all recommended steps and procedures, especially where growth management or impact fee ordinances are to be implemented.

WHY PREPARE A CAPITAL IMPROVEMENTS PROGRAM?

The capital improvements program, known by the acronym CIP, is a valuable part of the community planning process. The capital improvements program links local infrastructure investments with master plan goals, land use ordinances, and economic development. A capital improvements program bridges the gap between planning and spending, between the visions of the master plan and the fiscal realities of improving and expanding community facilities.

Among the many incentives to a capital improvements programming effort are the following benefits to the community:

PRESERVING PUBLIC HEALTH, SAFETY AND WELFARE

Providing the basic services which ensure citizen health and safety is a fundamental responsibility of local government. Programs of regular facility maintenance, upgrades and expansion of government services to meet minimum federal, state and local standards are essential to any community. The cumulative effect of deferring major maintenance expenditures and basic improvement of essential services is often an expensive series of stopgap measures which fail to address comprehensive long-term needs.

ANTICIPATING THE DEMANDS OF GROWTH

When related to the master plan, the capital improvements programming process works to anticipate investments in community facilities which are needed to serve or shape the pattern of growth and development. The portions of selected capital improvement expenditures which are necessitated by growth may be eligible for funding by impact fees as authorized in RSA 674: 21.

IMPROVING COMMUNICATION AND COORDINATION

Communication among the planning board, municipal departments, administrative officials, the budget committee, and citizens can result in cost savings and avoidance of duplication of facilities and expenditures. For example, certain local recreation needs might be addressed in the planning of a new school site. Schedules for road reconstruction projects might be modified where there are imminent plans for the installation of water and sewer utilities. Development of a centralized core of consolidated municipal offices might prove a better long-term solution than separate buildings planned independently by several municipal departments.

AVOIDING UNDUE TAX INCREASES

Capital improvements programming is a means of avoiding the unpleasant surprise of expensive projects generating large property tax increases. While cost impacts can not always be precisely determined in advance, the CIP fosters discussion of the distribution of the tax burden of new capital expenditures over time. A corollary benefit of fiscal stability and sound community facility planning may be an improved bond rating.

DEVELOPING A FAIR DISTRIBUTION OF CAPITAL COSTS

The capital improvements programming process allows for a public discussion of the preferred means of distributing capital costs not only over time, but also among users of the facilities to be financed. Some communities prefer to pay for some capital costs out of current revenues and absorb a high but single year tax increase. Other communities prefer to establish annual appropriations to capital reserve accounts to save for future projects. Still others feel that construction should take place as needed, and be funded by bonded debt, retired by both existing and future users of a facility. In some cases, user fees may be deemed more appropriate than property taxes. Federal or state funds may also be available to help finance specific project costs, or the cost of infrastructure improvements in lower income neighborhoods. A CIP process can promote discussion of fairness in fiscal policy.

BUILDING A FOUNDATION FOR GROWTH MANAGEMENT AND IMPACT FEES

The development and formal adoption of a capital improvements program is a statutory prerequisite to the enactment of growth management and impact fee ordinances. A properly constructed CIP should be an integral part of a land use regulatory process which implements either type of ordinance. The CIP is the principal resource for determining the growth-related share of capital costs which may be chargeable as impact fees; a growth management strategy and ordinance may link future development approvals to the local schedule for installation of particular utilities or services. Unfortunately, some CIPs have been prepared as simple "shopping lists", and remain unrelated to land use planning or growth management strategies.

IDENTIFYING "SCATTERED AND PREMATURE" DEVELOPMENT

New Hampshire statutes allow planning boards to adopt subdivision regulations which provide against scattered or premature subdivision of land. The capital improvements program is one measure which a planning board may use to judge whether a development is scattered or premature based on an absence of essential public services, where the development could require excessive public expenditures to supply these services. The CIP may provide information needed for planning board policies requiring the provision of capital facilities or services by developers of property in unserved areas.

SUPPORTING ECONOMIC DEVELOPMENT

Communities having sound fiscal health and high quality facilities and services are attractive to business and industry. New corporate investment and reinvestment in a community may be influenced by improvements which enhance the quality of life for the chief executives and managers in a company, and for their area labor force. Private decisions which bring jobs to an area and new tax base to a community are based not only on the availability of water and sewer utilities, but also upon the quality of community schools, public safety facilities, recreation opportunities, and other services.

STEPS IN THE PROCESS OF CAPITAL IMPROVEMENTS PROGRAMMING

The process of getting started in a capital improvements program illustrated in this handbook comprises a series of eight successive steps and a number of worksheets leading to a completed CIP. These steps form the remaining sections of this handbook:

Step 1.	Organize for the CIP process	[Recommended]
Step 2.	Define capital projects	[Recommended]
Step 3.	Perform a fiscal analysis	[Recommended]
Step 4.	Review the master plan	[Mandatory]
Step 5.	Communicate with departments	[Mandatory]
Step 6.	Review proposed capital projects	[Mandatory]
Step 7.	Prepare a 6-year project schedule	[Mandatory]
Step 8.	Adopt and implement the CIP	[Recommended; mandatory to support growth management and impact fees]

By following each of the eight steps, and using or modifying the model forms provided, the planning board can more efficiently complete the CIP, and will generate a versatile document in the process. If schedules are followed and tasks are delegated to diligent participants, the CIP will yield many of the benefits cited above, and will build citizen confidence in the value of long-term planning, and promote public involvement in the budgetary process. Like the master plan, the CIP is not a static document, but an ongoing process. Once established, updating the CIP can become a routine annual practice for the planning board and related agencies.

STEP 1. ORGANIZE FOR THE CIP PROCESS

Objectives: Get the process off to the right start by organizing a dependable team, deciding on a schedule, and sticking to it. Familiarize others with the fact that the CIP is an advisory document developed by the planning board.

Confirm Planning Board Authorization

The New Hampshire statutes cite two prerequisites to the preparation of a municipal capital improvements program. First, the planning board must have adopted a master plan. Second, the local legislative body must have authorized either the planning board to develop the CIP or the governing body to appoint a capital improvement program committee. The board should document the date of adoption of the master plan, and cite the specific authorization given by the local legislative body for the planning board or the CIP committee to proceed with a CIP. If the preparation of a CIP has not been specifically authorized, a resolution must be voted which is similar to either one of the following sample warrant articles for a town meeting:

SAMPLE ARTICLE AUTHORIZING PLANNING BOARD TO PREPARE A CIP
Article Number ____: To see if the Town, having a Master Plan adopted by the Planning Board on [date of adoption], will vote to authorize the Planning Board to prepare and amend a recommended program of municipal capital improvements projected over a period of at least 6 years, in accordance with RSA 674:5.

SAMPLE ARTICLE AUTHORIZING THE GOVERNING BODY TO APPOINT A COMMITTEE TO PREPARE A CIP
Article Number ____: To see if the Town, having a Master Plan adopted by the Planning Board on [date of adoption], will vote to authorize the governing body to appoint a capital improvement program committee to prepare and amend a recommended program of municipal capital improvements projected over a period of at least 6 years, in accordance with RSA 674:5.

Designate an Individual To Oversee Preparation

The New Hampshire statutes clearly place responsibility for preparation of the capital improvements program with the planning board or the formally appointed CIP committee. The planning board or CIP committee may wish to delegate certain parts of the CIP preparation to administrative personnel, to municipal departments, or to a consultant. However, the planning board or CIP committee performs the tasks of analysis. Bear in mind that a CIP which shows no evidence of communication between the planning board or CIP committee and municipal

departments, or no relationship to the master plan, will fall short of meeting minimum statutory requirements.

It is recommended that the planning board or CIP committee designate one of its members, town staff or other volunteer, to be the central coordinator in charge of the CIP process. That person should then serve as the primary contact for all CIP activities, and be responsible to see that the planning board role is properly executed. The designee should maintain a file of all correspondence and meetings relating to the CIP, to document the process, and prevent its fragmentation.

Develop a Schedule of Tasks and Completion Dates

The level of interest in capital improvements programming will rapidly deteriorate without strong leadership, assignment of tasks, and scheduling. *Exhibit I* provides a sample CIP planning schedule for outlining major events or actions in the CIP process, the date targeted for completion of that event or action, and the responsible party or lead person assigned to carry out the task. Discussion of such a schedule of events or actions should be accompanied by an organizational meeting involving the planning board or CIP committee and department heads so that all have a clear understanding of the rationale for the CIP process. By participating in the development of a CIP, each department may benefit from improvements in the quality of the facilities they operate and the services they provide.

STEP 2. DEFINE CAPITAL PROJECTS

Objectives: Develop a local working definition of what "capital improvement" means. Distinguish between operating and capital costs, but avoid the "micro-management" of capital items having a negligible tax rate impact.

Criteria for Capital Costs

A clear local working definition of capital projects is needed to provide necessary guidance to department heads and others in identifying past and future capital projects and costs. Most definitions of capital projects are based on criteria related to one or more of the following:

- Large gross dollar amount of expenditure;
- Extended useful life of facility or equipment;
- Infrequent recurrence of the expenditure;
- Bonded debt needed for financing;
- Involves real property acquisition or development;
- Expands utility systems;
- Creates or expands a public building.

A simple definition of a capital improvement, appropriate to a very small town, might include projects involving:

Any expenditure for a project or facility having a useful life of at least 3 years, and requiring a gross expenditure of at least \$ 5,000.

For a larger communities, a more complex definition might be more appropriate, defining a capital project as that which is:

A non-recurring expenditure for a project or facility having a useful life of at least five years, involving a gross expenditure of at least \$50,000, excluding scheduled vehicle replacement; or any project involving financing by bonded indebtedness; or the acquisition or development of any real property; or the extension of any utility service, regardless of its cost.

The above are hypothetical sample definitions. Whatever definition is selected should fit within the community's view of a "major expenditure" in the context of the size of the annual budget, and should include the types of projects which have potential for conflict, overlap, or potential influence on the pattern of growth and development. Different threshold criteria might be applied to municipal government versus school district and public utility capital costs. School and public works capital expenditures are often of a large scale, usually financed by long term bonds.

Types of Capital Projects

Generally, a capital project creates a depreciable asset, while operating costs relate to the expenses of delivering services to persons and properties, and the costs of operating and maintaining fixed capital assets. For example, the costs of engineering and constructing a sewage treatment plant upgrade are capital items; the costs of an additional plant operator or the expense of running the larger plant are operating costs.

However, not all capital expenditures involve physical facilities. They may involve special studies and analyses, town-wide property revaluation, engineering and design costs, land acquisition or landfill reclamation/decommissioning costs. A sample list of possible capital projects is illustrated in Exhibit 2. Some "soft costs" such as planning studies, architectural and engineering costs, may be capital costs whether or not they lead to the tangible development of a fixed asset.

This list is by no means exhaustive, and local definitions are the most appropriate. Providing department heads and the Advisory Committee with such a list, however, may be useful in stimulating their thinking about the range of capital improvement projects which might be identified in the CIP.

EXHIBIT 2
TYPES OF CAPITAL IMPROVEMENT PROJECTS

Administration Building
Airport
Architectural Costs
Bridge Construction and Reconstruction
Cemeteries
Community Centers
Community Development
Computer Equipment
Conservation - Acquisition
Consultant Expense- Special Studies
Drainage Facilities
Engineering Costs
Fire Station
GIS Equipment
Highway Garage
Highway Reconstruction
Historic Preservation Projects
Industrial Park Development
Land Acquisition
Landfills and Closeout Costs
Library
Master Plan Development
Parks
Playgrounds
Police Station
Public Safety Buildings
Public Works Buildings
Recreation Facilities
Recycling Buildings & Equipment
Redevelopment Projects
Revaluation of Property
School Construction, Additions
Sewage Treatment Plant
Sewer Mains
Sidewalks & Curbs
Site Preparation Costs
Solid Waste Facilities & Equipment
Storm Drains
Street Lights
Swimming Pool
Tax Map Revision
Town Hall
Transfer Station
Vehicle Purchase/Replacement
Water Mains
Water Supply Development
Water Treatment Plant

STEP 3. PREPARE A FISCAL ANALYSIS

Objectives: Become familiar with how much capital spending has gone on in the past, and how much is reasonable as part of the annual tax dollar. Establish a fiscal goal, and develop a gross estimate of the size of the annual capital expenditure the community can support under reasonable taxation.

A fiscal analysis of municipal and school operating and capital expenditures and revenues is a recommended but optional task in the CIP process. The fiscal analysis will help the board develop a more complete understanding of the structure of local costs and revenues, and a capital spending history, and may reveal the need for coordination or targets for potential cost savings. This step will become essential if the CIP is intended to support an impact fee ordinance.

The major components of a fiscal analysis should include:

- Review of the history of capital expenditures;
- Review of operating expenditures;
- Identification of the source of revenues applied to capital and operating expenditures;
- Computation of the typical level of capital spending as a proportion of total expenditures in past years;
- Review of growth in the tax base and the net tax expense of municipal and school services;
- Forecasts of future tax revenue availability;
- Recommendations for a target amount of annual capital expenditure for general planning purposes;
- Review of statutory debt limits for capital projects.

Review Past Capital Expenditures and Dedicated Revenues

Municipal Capital Projects

Having defined capital projects in Step 2, the next step is to develop a 10-year history of capital expenditures and the source of revenues which were applied to specific capital costs on an annualized basis. The structure of such an analysis is illustrated by the worksheet in Exhibit 3.

Municipal Capital Expenditures. Exhibit 3 is designed for the recording of a 10-year history of capital expenditures by department. These expenditures and revenues may be identified by utilizing the working definition of capital cost, and extracting actual capital expenditures from town and school district reports. The gross amount of the expenditure for each year should be entered in the appropriate row and column. Appropriations to capital reserve accounts and principal and interest payments on long-term debt should also be included.

Revenues Dedicated to Capital Projects. Directly below the expenditure entries should appear bond proceeds, capital reserve withdrawals, and other non-current-year property tax dollars which were applied directly to the capital expenditures listed above. Total capital outlay less total dedicated revenues equals the net capital expense borne on the property tax rate for that year.

Taxes Raised for Municipal Capital Projects. The net assessed valuation (after exemptions) upon which taxes were raised in a given year should be entered in the "assessed valuation" line of Exhibit 3. The approximate tax rate needed to support capital projects in each year can be computed in terms of the rate per thousand valuation as indicated according to the method shown in Exhibit 3.

On the next line, the total municipal tax rate (excluding county and school rates assessed) for that year should be entered. Enter on the bottom line, the computation of the approximate proportion of the municipal tax rate (or net tax expenditures) which supported past capital expenditures.

This analysis, and the analysis in Exhibit 4 is especially important to the CIP process in a community developing its program for the first time, or where there is some local resistance to the process. The ten-year fiscal history is likely to reveal that:

- Capital spending does not represent something new to the community, and eventually occurs whether planned or not;
- Patterns of past expenditures reveal some inefficiencies, stopgap measures, or overlap; and/or
- Levels of capital expenditure and investment have been "lumpy" in some years, causing instability in the tax rate.

Such findings may be cited by the board in its rationale for developing the CIP and explaining the need for the process to the public.

EXHIBIT 3: TEN-YEAR HISTORY OF CAPITAL EXPENDITURES FOR MUNICIPAL GOVERNMENT DEPARTMENTS

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School District Capital Costs

School district capital costs will generally involve long-term debt. Because school district budgets and capital needs are often more extensive than those of the municipality, dollar amount thresholds for defining capital projects may be higher for schools than for the municipality. In addition, the municipal share of school district capital costs will vary from one community to another based on local funding formulae and differing eligibilities for state aid to the district for capital costs. Exhibit 4 provides a worksheet for analyzing the history of school district bonded capital expenditures, allowing for a number of bond issues to be included. Total annual debt service is computed as the sum of the principal and interest payments of all bonded debt for the district.

The next step in Exhibit 4 is to deduct state building aid provided to the district as a percent of annual principal. Known actual amounts received should be entered if available. If unknown, they can be estimated based on the district's eligibility for capital cost reimbursement, as determined by the New Hampshire Department of Education. Depending upon the number of towns in the district, this proportion may range from 30-55 percent of annual principal payments. The *net capital expense* to the school district, after state aid reimbursement, is then computed by subtracting the state building aid amount from the district's total bond payment.

The local government share of the net capital expense to the district can then be shown by either entering actual dollar amounts, if known, or by computing the amount based on a percentage formula which reflects local school district cost apportionment policies. Apportionment of costs usually is defined according to the community's share of the district's equalized assessed valuation, its share of average daily membership (attendance or enrollment), or a combination of these factors. A percentage approximating the town's share should be obtainable from school administrative officials.

Local Taxes Raised for School Capital Projects. The net local assessed valuation is then entered on this sheet just as it was in the municipal expenditure summary (See Exhibit 3). The portion of the local school tax rate supporting capital projects may be computed by formula based on local assessed valuation. The total school tax rate may then be entered (usually found in Town Reports), excluding municipal and county rates. As with the municipal capital projects, the school tax rate needed to support capital/debt service costs may be computed as a percentage of the total school tax rate.

Outcome of Capital Expenditure Analysis

The completion of worksheets in *Exhibits 3 and 4* generates the following information:

- A history of capital outlay;
- A history of revenues available to finance capital projects;
- Annualized net capital expense borne by the tax rate; and
- An indication of the amount of annualized capital expenditure supported by the community in the past.

Review Past Operating Expenditures and Revenues

Operating Expenditures

The balance of municipal expenditures, and those revenues not earmarked for specific capital projects, may be considered as operating expense and operating revenue. The worksheet in *Exhibit 5* provides for entries of operating expenditures by department or function for the past 10 years. Any capital expenditures identified earlier in *Exhibit 3* should *not* be included in the amounts designated as operating expenditures in *Exhibit 5*. The total of all operating costs for municipal services can then be calculated.

The local costs for operating expenditures for schools can be determined simply by entering the total school district costs assessed to the town for the given year, and then subtracting the local debt service portion from the total.

Similarly, the town's county tax assessment dollar amount can be entered in the same manner as a lump sum in *Exhibit 5*. Total gross operating costs may then be determined as the sum of municipal and local school district operating expenses, plus county assessments.

Operating Revenues

Exhibit 6 provides a worksheet for determining the amount of non-property tax revenues which are applied to operating expenses. The entries should exclude all specific dollar amounts listed previously as dedicated revenues for capital projects entered earlier in *Exhibits 3 and 4*. Total municipal non-property revenues may then be totaled.

In addition, communities receive state school foundation aid targeted to help pay for school costs. [This is a different fund than that which provides direct reimbursement to *school districts* for eligible capital costs]. For CIP purposes, it is recommended that school foundation aid be considered as an offset to school *operating* costs.

In the bottom portion of Exhibit 6, the net property tax expense to the municipality may be determined by subtracting the *revenues* identified in Exhibit 6 from the *expenditures* for the same categories identified at the bottom of *Exhibit 5*. The result is the net property tax expense for locally-funded municipal, school district and county operating costs.

Outcome of Operating Cost and Revenue Analysis

The completion of worksheets in *Exhibits 5 and 6* will produce:

- An understanding of municipal, school and county operating expenses and trends, with municipal expenditures identified by department;
- A history of revenue availability from the federal, state and local sources in support of municipal and school operating expenditures over the past 10 years; and
- A capacity for analyzing past changes in local costs and revenues, providing a basis for future projections.

Forecast Future Operating Costs

Future Municipal Expenditures

There are a number of ways to project future operating expenditures for the municipality. It is recommended that forecasts be done on a department-by-department basis for two reasons: (1) changes in the cost of services may differ radically by department; and (2) some costs remain relatively fixed over time, while others vary with growth.

For example, a community which has been growing primarily along existing highways may experience increases in school, government and public safety costs, but not in highway maintenance. Also, changes in the cost of administration, including legal and insurance costs, may show a range of fluctuating costs unrelated to the rate of growth in personnel or the rate of inflation. The annual changes determined from analysis of Exhibit 6 data, for the past 10 years, may be used as a guide to project future operating expenditures, developed with the increases being computed by one of several methods:

- Average annual lump sum dollar increases;
- Average annual percentage changes;
- Changes based on base year per capita or per housing unit costs, applied to the projected residential growth of the community.
- Projections prepared independently by the chief fiscal officer(s), the budget committee, or the departments.

These forecasts should then be entered as estimated dollar amounts on the worksheet of Exhibit 7.

Programmed Municipal Debt Service

After annual operating costs have been projected, future scheduled principal and interest payments to debt service for existing facilities should be entered. Future bonded debt schedules may be obtained from the municipal offices, and are often found in the annual financial audit within a town or school district annual report.

The forecast of total municipal expenditures (excluding new capital items) is then determined by the sum of the projected operating costs and programmed debt service, and entered on the Exhibit 7 worksheet.

School District Expenditures

The local share of school operating costs may also be forecast based on the historical changes evident from *Exhibit 6*, or based on interviews with school officials. Once these projections are made, amounts should be added in the next row representing the local share of programmed school district debt service (after allowing for offsetting state aid to the district for capital costs). The total of projected local shares of school operating costs and programmed debt should be equivalent to the projected local appropriation to the school district, without the addition of any *new* capital projects.

County Appropriation

The county tax assessment to the community may be forecast based on past trends, or based on interviews with the County Administrator or Commissioners. The county tax assessments to municipalities are primarily a function of the municipal share of the total county equalized assessed valuation. A forecast of the community's share of the county total may be entered, based on interviews with county officials, or based on the extrapolation of past trends.

The total of operating costs and debt service commitments for municipal, school, and county costs borne by the municipality may then be computed and entered at the bottom of *Exhibit 7*.

EXHIBIT 7: FORECAST OF FUTURE OPERATING EXPENDITURES AND DEBT SERVICE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Avg. Annual Change Dollars	Percent
DEPARTMENT:								
GENERAL GOVERNMENT								
PUBLIC SAFETY								
POLICE								
FIRE & RESCUE								
HIGHWAYS								
SOLID WASTE								
HEALTH & WELFARE								
CULTURE & RECREATION								
INTEREST-TAX ANTICIPATION								
MISCELLANEOUS								
WATER DEPARTMENT								
SEWER DEPARTMENT								
OPERATING COSTS-MUNICIPAL (Total Above Departments)								
DEBT SERVICE-MUNICIPAL (Long-Term Bonded Debt - Committed)								
TOTAL MUNICIPAL EXPENDITURE (Operating Plus Long-Term Debt)								
LOCAL SHARE OF SCHOOL OPERATING COST (Excluding Debt Service Costs)								
LOCAL SHARE OF SCHOOL DEBT SERVICE (Long-Term Bonded Debt - Committed)								
LOCAL SHARE OF SCHOOL COSTS (Total Local Appropriation Forecast)								
COUNTY TAX ASSESSMENT								
TOTAL OF OPERATING COSTS AND DEBT SERVICE COMMITMENTS (Municipal, School and County Total)								

Forecast Future Revenues

Non-Property Tax Revenues

Exhibit 8 provides a worksheet for estimating future revenues. These revenues may be forecast based on the results obtained in the worksheet from Exhibit 6, and/or relying upon the judgment of municipal and school district administrative staff, boards and budget committees. If based on past trends, forecasts are likely to reflect increasing reliance on local revenues such as licenses, permits, fees and charges for services, and a declining dependence on federal and state revenues. Non-property tax revenues which are to be *specifically dedicated* to future capital projects *should not* be included in this table. [These sources will be incorporated later into the 6-year capital program, in which available project-specific revenues are applied to offset project capital costs.]

In addition to general operating and intergovernmental revenues, a separate line item has been provided for school foundation aid to the community. Unlike state building aid funds to school districts for specific capital projects, school foundation aid is granted to municipalities by formula and is generally intended to help relieve the local property tax burden of financing education. The total of non-property revenues available to support municipal operating expenses plus school foundation aid equals the total non-property revenue forecast for each of the future years.

Future Property Tax Revenues

A forecast of future property tax revenues may be developed using assumptions about the rate of change in net local assessed property valuation and the assignment of a "reasonable" tax rate. For example, a review of changes in assessed valuation for the past 10 years (already prepared in Exhibits 3 and 4) may indicate that assessed valuation has been growing at 1 to 2 percent per year. An average rate of increase may then be applied, depending on economic conditions, to project future assessed valuation, entered in Exhibit 8. [Note: In computing increases in assessed valuation, the years in which a town-wide reassessment of property to full market value took place cannot be used as base or end-point years for calculating the change.]

Assignment of "Reasonable" Tax Rate

Most citizens are concerned with the net effect of capital improvements on their total tax rate (town, school and county combined). Local fiscal policy may reflect a desire to keep the tax rate from increasing by more than "X" percent per year, or a maximum acceptable tax rate based on current valuations may be assumed. Forecasts of future net assessed valuation, and assumptions

of acceptable increases or changes in the overall tax rate may be entered for each planning year in Exhibit 8.

Total future "available" property taxes are calculated by multiplying the tax rate per thousand valuation by the net assessed valuation (in thousands of dollars). This computation yields an estimate of the total property taxes which will be available in the forecast years, given the assumptions entered for tax base growth and the assignment of a reasonable tax rate. The combination of anticipated non-property revenues and future generation of property taxes represents the gross amount of regular revenues available to fund operating costs, existing and future debt service, and capital projects.

Estimate Revenue Available to Fund New Capital Projects

Revenues available to the future capital program are estimated by taking the forecast of operating costs and debt service for future years as calculated in Exhibit 7 and subtracting the total forecast of revenues for that year shown in Exhibit 8. The difference is the annual non-dedicated revenues which may be considered available to fund new capital projects. Adjustments of the various assumptions about the tax rate and net local assessed valuation may be necessary to arrive at a reasonable figure.

The results of this analysis should be interpreted on an "order-of-magnitude" basis, and should be compared to the actual scale of past capital spending to arrive at a recommended parameter for the locally-funded share of capital costs. The results provide a gross estimate of the *new capital expenditures* which may be supported annually by local funds without generating an unacceptable increase in the property tax rate. The amount available for future capital projects can, of course, be augmented by securing other non-local funds, including dedicated revenues from federal and state grants and loans, as new projects are planned.

Review Statutory Debt Limits

Statutory ceilings on outstanding bonded debt are generally high enough to permit planned capital improvements to proceed. However, the CIP may contain a brief analysis of the current and permitted outstanding debt. These limits are related to the property valuation of the municipality or district, and are calculated as a percent of the "base valuation for debt limits" computed and published annually by the New Hampshire Department of Revenue Administration (DRA).

✓ Current limits on outstanding debt, given as percentages of the DRA base valuation are:

- | | |
|--------------------|---------|
| • Municipal | 1.75 % |
| • Water Department | 10.00 % |
| • School District | 7.0 % |

The outstanding principal of bonded debt cannot exceed the above percentages of the base valuation for the applicable service area issuing the bonds. These ceilings will effectively limit bonding for capital improvements only in the few instances where there are many expensive improvements to be financed by bonded debt, and where the tax base is very limited. A review of debt limits is recommended as a means of anticipating future limits to revenue availability due to simultaneous bond issues for existing and future projects.

EXHIBIT 8: FORECAST OF FUTURE REVENUES AND FUNDS AVAILABLE FOR NEW CAPITAL PROJECTS

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Avg. Annual Change	
							Dollars	Percent
NON-PROPERTY TAX REVENUES								
TAXES: NON-PROPERTY								
LICENSES, PERMITS & FEES								
INTERGOVERNMENTAL								
CHARGES FOR SERVICES								
INTEREST								
MISCELLANEOUS								
SEWER USER FEES								
WATER USER FEES								
TOTAL NON-PROPERTY REVENUES FOR MUNICIPAL SERVICES								
SCHOOL FOUNDATION AID								
TOTAL NON-PROPERTY REVENUES								
PROPERTY TAX REVENUES								
FORECAST OF NET ASSESSED VALUATION								
ASSESSED TAX RATE PER THOUSAND (Estimate of Acceptable Rate)								
PROPERTY TAXES AVAILABLE (Rate x (Net Valuation/\$1,000))								
FORECAST OF TOTAL REVENUES (Add Property and Non-Property Tax Revenues)								
REVENUE AVAILABLE TO FUND NEW CAPITAL PROJECTS: (Operating Costs + Debt Service)-Total Revenues								

STEP 4. REVIEW THE MASTER PLAN

Objectives: Planning boards need to review key portions of the master plan for indicators of long-term capital needs which improve existing services to meet community standards and accommodate a reasonable share of future growth. Strategic capital investments may be identified which further the goals of the land use plan and the economic development objectives of the community.

Key Sections For Review

In developing a capital improvements program, the planning board is *required* by statute to review the master plan in relation to the proposed capital improvements program. The review of the master plan and its goals and objectives should strive to identify a linkage between the capital improvements program and the community's long-term goals for facility improvement and providing capacity for future growth.

Particularly relevant sections of the master plan which should be carefully studied, and their use in the CIP process, include:

Population and Housing

The population and housing sections of the master plan provide guidance to the potential growth in residential service demands and the future location of housing and population concentrations. For more rapidly growing communities, these elements may have a significant effect on planning for capital facility construction, and the rate of growth in some operating expenditures.

Community Facilities

The community facilities section of the master plan generally contains an inventory of major capital facilities and equipment. This section should provide information on the adequacy of municipal and school facilities for existing and future needs. In general, the community facilities section takes a long-term view of community needs (perhaps 10-20 years). Such long-term facility planning may involve the need to make staged investments in multi-year capital projects, beginning with feasibility studies, and progressing through engineering, site acquisition and other related activities within the 6-year program of the CIP.

In some cases, the community facilities section of the master plan will contain recommended community standards or averages such as acres of recreation land per capita, personnel per thousand population, square feet of facility area per employee, or other measures which may be appropriate to extrapolate future facility needs based on expected growth.

Utilities

Public utilities, primarily water and sewer services, are among the more direct capital investments which shape the pattern of growth. They are fundamental to preserving public health and safety, and are important foundations for economic development. Often, utilities represent sizeable investments in future capacity, especially for water or sewage treatment facilities.

Even where these utilities are funded by independent precincts or districts, it is important that they be involved in a capital improvements programming process. Regardless of how they are funded, these services are of central importance to the planning board role in assuring adequate facility capacity to support existing and anticipated development.

Recreation

The recreation section of the master plan (sometimes contained within the community facilities section) often details the local pattern of demand on recreation facilities. The future development of such facilities often involves a lengthy process of site identification and acquisition, perhaps years prior to construction. A strategic parcel acquisition may be identified for action within the 6-year CIP to enable future construction of recreation facilities at a yet-to-be determined date.

Transportation

The transportation section of the master plan may indicate major highway construction or reconstruction needs and priorities for the community. Intersection or signalization improvements which will involve public funds should be identified in this section, as well as priority needs for bridge replacement or construction.

Economic Development

Some master plans contain an economic development or economic base chapter detailing strategies for expanding the tax base or the number of jobs in the community. This section may include recommendations for specific long-term capital investments which support economic development goals. These items may include a range of projects including direct investments in water and sewer line extensions, highway construction or industrial park development. The measures recommended in the master plan may also involve more indirect investments in community facilities, such as development of better school facilities.

Conservation and Preservation

While not commonly viewed as capital improvements or infrastructure investments, the acquisition of land and conservation easements, or historic preservation projects, may be of strategic importance in the capital improvement planning process. Opportunities for acquisition of land or easements may be available only for a limited time; desirable parcels which are in the path of development may be targeted as priorities for public acquisition.

Community Surveys

Master plans are often accompanied or preceded by citizen surveys through which satisfaction with particular community services and facilities is measured. The public perception and rating of community services and facilities may differ greatly from the priorities for improvements indicated by various independent departments. Opinion surveys may help define new directions for long-term capital investment.

Project Identification: Questions to Ask

In the review of the above elements of the master plan, major questions to be asked include:

- Are there advance planning costs, engineering, special studies, land acquisition or other short-term investments which should be made during the next six years to support the long-term facility needs of the next 10-20 years?
- Should capital reserve accounts be established now to provide for improvements needed either within or beyond the initial 6-year planning period?
- Will facilities be adequate to handle the anticipated growth of the community?
- Has the potential growth of the community, not only in population but in commercial and industrial development, been adequately considered in recommending capital facility improvements?

Classification of Projects Based on Master Plan

The capital facility investments identified from a review of the master plan may be initially classified in a general manner by groupings of projects which:

- Address an imminent danger or threat or are needed to respond to a state or federal mandate;
- Protect health and safety;
- Improve the quality or level of community services;
- Expand capacity to serve new demand.

The planning board may wish to make more detailed studies of those capital projects which now have, or will require, an expanded capacity to serve the demands of growth. Such facilities may be eligible for partial funding through impact fee assessments, special districts, or user fees.

STEP 5. COMMUNICATE WITH DEPARTMENTS TO IDENTIFY PROJECTS

Objectives: Contact all departments, agencies, districts and commissions having an impact on the overall capital spending which is supported by local citizens and taxpayers. Use interviews, meetings, and standardized forms to identify initial capital project proposals.

Communication With Departments Required

Planning boards or CIP committees are required to make determinations of capital facility needs in association with all affected agencies, departments, fiscal officials and committees when preparing a capital improvements program. The minimum statutory requirements for such contacts are stated in RSA 674:7, I:

"In preparing the capital improvements program, the planning board or the capital improvement program committee shall confer, in a manner deemed appropriate by the board or the committee, with the mayor or the board of selectmen, or the chief fiscal officer, the budget committee, other municipal officials and agencies, the school board or boards, and shall review the recommendations of the master plan in relation to the proposed capital improvements program."

The planning board or CIP committee may confer with these departments and agencies in the form of written, correspondence, individual or group meetings, or through an advisory committee. The advisory committee itself may include department and commission heads. Communication with departments may be delegated to staff or to a consultant if these resources are available.

It is recommended that a *written record* be retained of the correspondence issued on behalf of the planning board or CIP committee to affected departments or agencies. A record of meetings or other CIP conferences should be retained on file. This "paper trail" should be maintained to document compliance with statutory requirements in the event of legal challenge. The CIP itself is an unlikely target for legal challenge. However, a growth management or impact fee ordinance which relies on the adoption of a CIP is more likely to draw controversy, potentially leading to a detailed review of the adequacy of all documents supporting their development.

A common omission in capital improvements programming is a failure to contact school district officials or to include school capital items under the assumption that, as a separate district, their facilities are not within the purview of the planning board or CIP committee. In fact, the statute specifically *requires* that contact be made with school officials, and school facilities are among the most costly capital improvements funded by the taxpayer. Similarly, village districts providing water service, fire protection, and other services should also participate, since the

object of the CIP is to plan and coordinate the provision of adequate services and facilities for the community at large.

Response to Planning Board or CIP Committee Required by Statute

Once a formal request has been issued by a planning board or committee which has been authorized by the municipality to prepare a CIP, affected agencies are required to honor that request by transmitting to the board or committee a statement of all capital projects proposed during the term of the program. (See RSA 674:7,II.)

It will be useful to ask that the chief executive officer(s) of the community send an independent cover letter to municipal departments, emphasizing the importance of their response to the capital improvements programming process. Some department heads, especially in smaller communities, are reluctant to propose expensive, long-term capital improvements, believing that they should defer these judgments to the Board of Selectmen. Municipal departments and officials may also be skeptical of the capacity of the CIP to produce results, leading them to participate only passively in the process.

The recommended way to gain support for the process and avoid unnecessary delay in preparing the CIP is to initiate effective communication from the beginning of the organizational process. Recommended steps for this process include:

- Hold initial "brainstorming" sessions and organizational meetings to talk to department heads about capital improvement needs. Include the board of selectmen, fiscal officers, and budget committee.
- Review with department heads the community facility recommendations of the most recent master plan to determine if they remain current or if other needs have developed since the adoption of the plan.
- Arrive at an agreement on an appropriate working definition of a capital improvement project.
- Explain the nature of the CIP as a non-binding planning document, which will be updated periodically. Advise the department's chief executive that the CIP is an advisory document only.
- Provide "Project Request Forms" accompanied by a target date for response. Without a clear date for a return of the forms or a follow-up meeting, the CIP process can easily break down at this point. The coordinator of the CIP process should be prepared to be diligent in making follow-up calls or issuing reminder memos to department heads requesting responses to the request for capital projects.

Exhibit 9 is a sample transmittal memorandum requesting municipal departments and agencies to submit capital improvement project proposals to the planning board or CIP committee. *Exhibit 10* is a sample project worksheet and submission form for use by the departments in responding to the planning board or CIP committee request for a list of capital projects. It is recommended that a separate sheet be filed for each prospective project. The basic elements of the *Exhibit 10* project proposal form are:

- Project title and short description.
- Statement of the primary effect of the project.

- Description of project service area, indicating the number of persons benefiting.
- Project description and rationale as well as narrative justification with the need for the project. (All of the above items will assist in prioritizing the projects later.)
- Cost estimate of improvement with component costs listed as appropriate.
- Statement of potential impact on operating or maintenance cost with the need for personnel as a result of the improvement.
- Statement of estimated or known sources of funding or proposed funding of the project.

In addition to these forms, the CIP coordinator may want to issue to the departments a blank spreadsheet form showing a time period of 6 or more years, allowing departments to draft a preliminary schedule of proposed improvements over the period.

Although the statute does not require an analysis of the cost of capital improvements, nor their operating impacts, these items are recommended. The absence of a statutory mandate for the inclusion of a cost analysis implies that the main emphasis of the CIP is the *identification* of capital needs and their *priority*.

The planning board, CIP committee or CIP coordinator may also benefit from a public discussion of the need for capital projects, which may or may not be consistent with the interests of various departments. At such a forum, the project request forms could also be distributed to citizen participants who have an interest in proposing specific projects for a neighborhood or the community.

EXHIBIT 9: SAMPLE MEMO REQUESTING CAPITAL PROJECT PROPOSALS

Date: _____

To: Board of Selectmen	Town Administrator
Police Department	Fire Department
Highway Superintendent	Library
Conservation Commission	Solid Waste Committee
Recreation Commission	Water Department
School Board	Sewer Department

From: _____ Chairman, Planning Board

Re: Capital Improvements Projects for [years covered by CIP]
Response Requested By [_____date_____]

The preparation of a Capital Improvements Program (CIP) has been initiated by the Planning Board [or CIP Committee], as authorized by the Town Meeting. Your list of specific capital projects envisioned for the planning period is needed for the CIP.

New Hampshire RSA 674:7 requires, as part of the CIP process, that municipal departments, and related authorities and agencies transmit a statement of all capital projects they intend to undertake during the term of the CIP upon request of the Planning Board [or CIP Committee]. The statute also requires communication between the Planning Board [or CIP Committee] and the School Board in preparing the CIP.

The attached forms provide worksheets to assist in your response. Also attached to this memo is a list of long-term capital expenditure needs identified in the Community Facilities section of the Master Plan.

Please provide your recommendations for specific capital projects to be undertaken over the next 6 years, and cost estimates where possible. For the purpose of this CIP "capital projects" have been defined as those projects outside normal operations and maintenance, and having the following characteristics:

1. A gross cost of at least \$ _____; and
2. A useful life of at least years; and
3. Is non-recurring (not an annual budget item); or
4. Any project requiring bond financing.

If the project is eligible for any federal or state grants, matching funds, or loans, please indicate this on the form. One summary sheet should be completed per project, with separate sheets added for explanation where necessary.

Please note that the CIP is an advisory document only; the inclusion of any particular project on your list or its listing in the CIP does not commit the town to that expenditure.

Please submit project information on the forms provided, adding explanations where necessary, by [insert date for return of forms] to the Planning Board Office.

EXHIBIT 10

CAPITAL IMPROVEMENTS PROGRAM

Capital Project Worksheet and Submission Form

Department:		Department Priority:
		of Projects
Type of Project: (check one)	Primary effect of project is to: <input type="checkbox"/> Replace or repair existing facilities or equipment <input type="checkbox"/> Improve quality of existing facilities or equipment <input type="checkbox"/> Expand capacity of existing service level/facility <input type="checkbox"/> Provide new facility or service capacity	
Service Area Of Project: (check one)	<input type="checkbox"/> Region <input type="checkbox"/> Municipality <input type="checkbox"/> School District <input type="checkbox"/> District	<input type="checkbox"/> Central Business District <input type="checkbox"/> Neighborhood <input type="checkbox"/> Street <input type="checkbox"/> Other Area
Project Description:		
Rationale for Project: (check those that apply; elaborate below)	<input type="checkbox"/> Removes imminent threat to public health or safety <input type="checkbox"/> Alleviates substandard conditions or deficiencies <input type="checkbox"/> Responds to federal or state requirement to implement <input type="checkbox"/> Improves the quality of existing services <input type="checkbox"/> Provides added capacity to serve growth <input type="checkbox"/> Reduces long-term operating costs <input type="checkbox"/> Provides incentive to economic development <input type="checkbox"/> Eligible for matching funds available for limited time	
Narrative Justification:		
Cost Estimate: (Itemize as necessary)	Capital Costs Dollar Amount (in current \$) \$ _____ Planning/feasibility analysis _____ Architecture & engineering fees _____ Real estate acquisition _____ Site preparation _____ Construction _____ Furnishings & equipment _____ Vehicles & capital equipment _____ _____ _____ \$ _____ Total project cost	Impact on Operating & Maint. Costs or Personnel Needs <input type="checkbox"/> Add personnel <input type="checkbox"/> Increased O & M Costs <input type="checkbox"/> Reduce personnel <input type="checkbox"/> Decreased O & M Costs Dollar Cost of Impacts If Known: + \$ _____ annually (-) \$ _____ annually
Sources of Funding:	Grant from: _____ \$ _____ (Show type) Loan from: _____ (Show type) Donation/bequest/private _____ User fees & charges _____ Capital reserve withdrawal _____ Impact fee account _____ Current revenue _____ General obligation bond _____ Revenue bond _____ Special assessment _____ _____ _____ Total project cost \$ _____	Form Prepared By: _____ (Signature) _____ (Title) _____ (Dept./agency) _____ (Date prepared)

STEP 6. REVIEW PROPOSED CAPITAL PROJECTS

Objectives: Develop a method of classifying and prioritizing capital projects after reviewing the proposed projects. Review proposals, request more information, revise the list of projects, and make recommendations on need and priority.

New Hampshire RSA 674:6 requires the CIP to classify projects *"... according to urgency and need"...* and to contain *"...a time sequence for their implementation."* RSA 674:7 requires the planning board to *"...study each proposed capital project and to advise and make recommendations to the department, authority or agency concerning the relation of its project to the capital improvements program being prepared."*

The project request forms, such as the model in *Exhibit 10*, provided to each department for the submission of capital project proposals, will contain indicators of departmental priorities and their justification by urgency and need. It is up to the planning board to use its judgment to classify and prioritize the projects from an overall community perspective.

Prepare a Draft List Of Projects by Department

Before working out a classification or time sequence for the projects, it is recommended that the board begin with a simple listing of all projects, organized by department. The draft list may then be reworked according to the assignment of community-wide priorities.

Exhibit 11 is a sample project summary form to be used for the listing of basic information extracted from the individual project request forms submitted by departments. Based on a reading of each project submission form, and its review of the master plan, the planning board should develop an initial needs classification or priority ranking of the proposed projects.

Classify Projects by Need and Urgency

An initial classification or priority ranking may be done in one of two ways illustrated below:

1. Grouping By Class

A general classification scheme can be developed according to the relative urgency of the projects. An example of such a classification follows; planning boards should consider their own local definitions.

Example of Project Class Grouping

Class I Urgent

Cannot be delayed; needed immediately for health and safety

Class II Necessary

Needed within 3 years to maintain basic level and quality of community services

Class III Desirable

Needed within 4-6 years to improve quality or level of service

Class IV Deferrable

Can be placed on hold until after 6-year period, but supports community development goals

Class V Premature

Needs more research, planning, and coordination.

Class VI Inconsistent

Contrary to land use planning or community development goals.

2. Point System

Depending upon the size of the community and the number of capital projects proposed, a numerical scoring system may be appropriate to rank projects. A specific number of points scaled, for example, from 5 (high score) to 0 (low score) could be awarded to a project for each of several review criteria used by the planning board. The total score for a project would be the sum of its score on each of the criteria, illustrated by the following example:

Example of Point Score System

<u>Evaluation Criteria</u>	<u>Point Score</u>
• Addresses an emergency or public safety need	5 4 3 2 1 0
• Corrects a deficiency in service or facility	5 4 3 2 1 0
• Provides capacity needed for future growth	5 4 3 2 1 0
• Results in long-term cost savings	5 4 3 2 1 0
• Supports job development/increased tax base	5 4 3 2 1 0
• Furthers the goals of the master plan	5 4 3 2 1 0
• Leverages the non-property tax revenues	5 4 3 2 1 0
• Matching funds available for limited time	5 4 3 2 1 0

Total Project Score =

Sum of above scores

The initial class assignment or the total point score of a project should be entered into a worksheet similar to that shown as Exhibit 11. The list can then be sorted and re-drafted in priority order.

Conduct Project Review Meetings

Following an initial classification of projects by urgency and need, it is recommended that the planning board or the CIP coordinator again hold a meeting with the department heads and agencies to discuss the initial review and to hear more information from those proposing the projects. At this time, requests could be entertained to modify the original CIP project requests. Following any amendments or modifications, the planning board may wish to have a second public informational meeting to state its initial findings and to hear additional public comment on capital needs or proposals for other projects.

By following one of the methods above, or another of its choosing, the planning board can meet its statutory obligation to identify and classify CIP projects. In addition, the board will foster an interdepartmental and public dialog on the long-term facility needs of the community.

EXHIBIT 11: LISTING OF PROJECTS SUBMITTED FOR REVIEW IN CAPITAL IMPROVEMENTS PROGRAM

[illegible]

STEP 7. PREPARE A 6-YEAR PROJECT SCHEDULE

Objectives: Develop a time sequence for CIP expenditures over a period of at least six years. Adjust the starting dates for projects, and modify the annualized tax impact of capital improvements using bond financing, capital reserve accounts, and other revenues. Strive for an annual level of capital expenditures which approximates an affordable level of local tax expenditures for new capital improvements calculated in Step 3, and which keeps the tax rate relatively stable.

Develop a Time Sequence for Implementation

Now that the number of projects, recommended funding, and general priorities have been assigned, the next step is to identify which projects should be included within the CIP time frame of at least six years, and how the costs of these improvements can be distributed over the years to avoid high property tax impacts of any given year. The minimum statutory requirement for the CIP is to *"...recommend a time sequence for implementation"* within at least a six year planning period. It is highly recommended, but not required by statute, that a detail of the costs of the projects be illustrated.

Draft Schedules of Annualized Costs and Revenues

Exhibit 12 (two pages) illustrates a sample worksheet for scheduling capital improvement projects and their annualized costs. Exhibit 13 (two pages) provides worksheets for entering specific non-property tax revenues which may be dedicated to the capital improvements proposed. Each exhibit contains spaces for individual project listings by department.

The purpose of these worksheets is to draft a capital program through which the net annualized property tax costs to the municipality for capital items can be absorbed without inordinate tax increases. An "order-of-magnitude" target for new capital improvement expenditures funded by local taxes was estimated earlier in Step 3 (Exhibit 8).

Using copies of Exhibits 12 and 13 as draft worksheets, the CIP coordinator or planning board can modify the sequence of capital projects within fiscal constraints, or suggest alternative funding means such as capital reserves, bonded indebtedness, user fees, special districts, or other strategies to even out the potential property tax impacts of various combinations of capital improvements. Electronic spreadsheet software is especially useful for testing different scenarios and assumptions about the potential property tax impact of the 6-year capital improvement

schedule. A computer-based schedule will make annual updates of the CIP an easier task in future years.

For long-term projects requiring debt financing, principal and interest payments should be scheduled out over the capital planning period to illustrate annual cost impacts. Similarly, appropriations to capital reserves for future projects should be part of the annual cost picture, while withdrawals from accumulated capital reserve accounts may be shown as a dedicated revenue source.

Estimate the Tax Impact of Capital Projects

Once all CIP expenditures and dedicated revenues are entered in Exhibits 12 and 13, a calculation may be made at the bottom of Exhibit 13 by subtracting total available dedicated revenues from total annualized project costs to determine:

- Net annual property tax cost to the community;
- Property tax rate needed to support capital projects;
- Consistency of these amounts with targets for acceptable levels of capital spending; and
- The need to re-schedule proposed capital improvements within the 6-year period to meet fiscal goals.

The planning board should review how well the total annualized tax impacts of capital spending fit within its overall fiscal goals, and within the urgency of need classifications established in Step 6.

Adjust the Six Year Schedule

Depending upon the potential tax rate impacts, the board may wish to adjust the 6-year schedule, considering:

- Are there projects which can be shifted to later years of the CIP or deferred without negative effects on the community?
- Will there be any significant operating and maintenance cost impacts of running new or improved facilities which will increase or reduce operating costs and available revenues?

Draft capital project schedules should be reviewed with departments, municipal staff, and with the general public at information sessions prior to finalizing the recommended 6-year schedule.

In small communities with relatively few projects and minimal problems with attaining fiscal stability, minimum CIP requirements may be met simply by identifying the capital projects which are required, their relative urgency and need in priority order, and the year in which they are proposed to be implemented, without a detailed cost analysis. For most communities, a capital improvements program will lose much of its instructive and functional effect if it fails to illustrate the annual costs and tax impacts of capital expenditures.

EXHIBIT 12: SCHEDULE OF CAPITAL IMPROVEMENT PROJECTS AND ANNUALIZED COSTS (Page 1 of 2)
 (Include Existing Scheduled Debt and New Bonded Debt for Proposed Projects)

DESCRIPTION OF PROJECT OR EQUIPMENT By Department or Service Area	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	6-Year Total
ADMINISTRATIVE/GENERAL GOV'T							
PUBLIC SAFETY							
POLICE DEPARTMENT							
FIRE DEPARTMENT							
HIGHWAY DEPARTMENT							
SOLID WASTE DISPOSAL & RECYCLING							
PARKS AND RECREATION							
LIBRARY							

EXHIBIT 12: SCHEDULE OF CAPITAL IMPROVEMENT PROJECTS AND ANNUALIZED COSTS (Page 2 of 2)
 (Include Existing Scheduled Debt and New Bonded Debt for Proposed Projects)

DESCRIPTION OF PROJECT OR EQUIPMENT By Department or Service Area	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	6-Year Total
CONSERVATION							
COMMUNITY & ECONOMIC DEVELOPMENT							
WATER SUPPLY, DISTRIBUTION, TREATMENT							
SANITARY SEWER & SEWAGE TREATMENT							
TOTAL MUNICIPAL CAPITAL EXPENDITURE							
MUNICIPAL SERVICES							
WATER & SEWER							
TOTAL							
SCHOOL CAPITAL COSTS: LOCAL SHARE							
TOTAL CAPITAL EXPENDITURE							

EXHIBIT 13: SCHEDULE OF NON-PROPERTY TAX REVENUES AVAILABLE FOR CAPITAL PROJECTS (Page 1 of 2)
AND CAPITAL PROJECT IMPACT ON TAX RATE
 (NOTE SOURCE OF FUNDS AND ELIGIBLE PROJECT)

DESCRIPTION OF PROJECT OR EQUIPMENT AND REVENUES AVAILABLE	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	6-Year Total
ADMINISTRATIVE/GENERAL GOV'T							
PUBLIC SAFETY							
POLICE DEPARTMENT							
FIRE DEPARTMENT							
HIGHWAY DEPARTMENT							
SOLID WASTE DISPOSAL & RECYCLING							
PARKS AND RECREATION							
LIBRARY							

EXHIBIT 13: SCHEDULE OF NON-PROPERTY TAX REVENUES AVAILABLE FOR CAPITAL PROJECTS (Page 2 of 2)
AND CAPITAL PROJECT IMPACT ON TAX RATE
 (NOTE SOURCE OF FUNDS AND ELIGIBLE PROJECT)

DESCRIPTION OF PROJECT OR EQUIPMENT AND REVENUES AVAILABLE	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	6-Year Total
CONSERVATION							
COMMUNITY & ECONOMIC DEVELOPMENT							
WATER SUPPLY, DISTRIBUTION, TREATMENT							
SANITARY SEWER & SEWAGE TREATMENT							
TOTAL NON-PROPERTY TAX REVENUE							
MUNICIPAL SERVICES							
WATER & SEWER							
TOTAL							
SCHOOLS-LOCAL NON-PROPERTY SOURCES (Except State Building Aid Already Accounted For)							
TOTAL AVAILABLE REVENUE							
VET PROPERTY TAX COST							
(Total Annual Costs Less Available Revenue)							
PROJECTED ASSESSED VALUATION							
AX RATE IMPACT OF CAPITAL PROJECTS (Net Property Tax Cost)/(Assessed Valuation / \$1000)							

STEP 8. ADOPT AND IMPLEMENT THE CAPITAL IMPROVEMENT PROGRAM AND BUDGET

Objectives: Hold a public hearing on the capital improvements program, and adopt the document in the same manner as a master plan. Transmit first-year capital budget recommendations to the chief executive officer(s) of the municipality and the budget committee. Use the CIP as a foundation document, for considering growth management, impact fee and subdivision review processes.

Adopt the Capital Improvements Program

Adoption Procedure

New Hampshire RSA 674:5 through 674:8 describes the preparation and effect of the CIP, but contains no specific guidelines for the adoption of a capital improvements program or capital budget. It is recommended that the program be adopted by the planning board or CIP committee under the same process that would be used for the master plan. (See RSA 675:6). Generally, this procedure requires at least one public hearing, after which the master plan may be adopted by the planning board, unless there are substantive changes made as a result of the comments received at the public hearing. A certified copy of the plan is then filed with the city or town clerk, and a copy filed with the Office of Energy and Planning. While adoption procedures specific to the CIP are absent from the statute, New Hampshire RSA 675: 9 specifically requires that a copy of any "capital improvement plan" which *is* adopted must be filed with the Office of Energy and Planning.

Relationship of Adoption to Land Use Regulation

While the statutes do not specify an adoption procedure for a CIP, the laws governing implementation of certain land use regulatory procedures do require CIP adoption. An adopted CIP may also have a functional role in the review of subdivisions and their impacts on community services and costs.

*Impact Fees. "In order for a municipality to adopt an impact fee ordinance, it must have **enacted** a capital improvements program pursuant to RSA 674:5-7." (RS A 674:21 ,V (b); emphasis added in **bold face**). This section refers to impact fees adopted as an innovative land use control within the zoning ordinance. While it may be inferred that an impact fee assessment schedule adopted under that section must be directly related to growth-related capital projects listed in the CIP, this relationship is not specifically required by the statute.*

Growth Management; Timing of Development. “Any ordinance imposing such a control may be adopted only after **preparation and adoption** by the planning board of a master plan and a capital improvement program and shall be based upon a growth management process intended to assess and balance community development needs and consider regional development needs.” (RSA 674:22; emphasis added in **bold face**). These requirements underscore the need to review the master plan for projects to be included in the capital improvement program. For the CIP to support a growth management ordinance, it should demonstrate that the capital improvements in the CIP have allowed for expansion of facilities to accommodate a reasonable share of the growth of the region.

Growth Management; Interim Regulation. “In unusual circumstances requiring prompt attention and for the purpose of developing or altering a growth management process under RSA 674:22, or a master plan or **capital improvement program**, a city, town, or county may adopt an ordinance imposing interim regulations upon development as provided in this section.” (RSA 674:23; emphasis added in **bold face**) It is clear that in unusual circumstances, presumably those in which a large scale development or rapid pace of development could threaten to overwhelm community services, a community may invoke interim regulations for growth management to allow it time to prepare and adopt an appropriate capital improvements program.

Scattered or Premature Subdivision. The planning board may adopt subdivision regulations which may: “Provide against such scattered or premature subdivision of land as would involve danger or injury to health, safety, or prosperity by reason of the lack of water supply, drainage, transportation, schools, fire protection, or other public services, or necessitate the excessive expenditure of public funds for the supply of such services” (RSA 674:36, II (a))

While this statute does not explicitly tie subdivision review to the CIP process, an adopted capital improvements program may become an important reference document for determining the extent of capital improvements and local expenditures which are reasonable for the community to undertake in any given year, and may indicate the level of annual expenditures which could be considered "excessive". Since the CIP establishes a plan to service anticipated growth in accordance with an acceptable fiscal policy, the CIP is a reasonable basis for setting policies or criteria for developer funding of facilities or services as a condition of subdivision approval.

Implement the Capital Improvements Program

Transmit the Annual Capital Budget

For the 6-year capital improvement program to have an actual effect on municipal expenditures, a direct connection must be made between long-term community planning and the annual budgeting process. When a planning board or CIP committee has prepared a capital improvements program, it is required to transmit its recommendations for the current year to the mayor [interpreted to include chief executive officer or selectmen as well] and the budget committee [for towns operating under the Municipal Finance Act] for consideration in the annual budget.

Often, the principal rationale for developing a 6-year capital improvements program has been to meet statutory prerequisites for the implementation of land use regulatory measures. Such programs lack the commitment to an ongoing CIP process, and are soon forgotten.

The preparation of the CIP must be followed by annual capital project recommendations for inclusion in the budget. One person from the planning board or CIP committee should be designated to see that there is an annual transmittal of recommendations to the appropriate authority to keep the capital improvements program functional and valid. *Exhibit 14* provides a format for the presentation of annual capital budget recommendations by the planning board or CIP committee.

Update the CIP

An update of the CIP should be conducted annually. This task will be simplified once the initial CIP has been adopted. As departments become used to the format and process over the years, project information can be updated, planned projects modified, and new ones added.

Where spreadsheet analysis software has been used, the community may easily keep a running record of capital and operating expenditures and their tax impacts for the most recent 10-year period by dropping out the oldest year of data and adding in the most recent fiscal year. After a few years, the CIP process can become a routine part of the annual work agenda of the planning board or CIP committee.

EXHIBIT 14

CAPITAL BUDGET FOR FY _____
RECOMMENDED FOR INCLUSION IN THE BUDGET

Based on the Capital Improvement Program For The Years _____ to _____

DESCRIPTION OF PROJECT OR EQUIPMENT By Department or Service Area	Recommended Budget	Non-Property Tax Revenues Anticipated for Project		Property Tax Revenues Required	Notes
		Amount	Source		
ADMINISTRATIVE/GENERAL GOV'T					
PUBLIC SAFETY					
POLICE DEPARTMENT					
FIRE DEPARTMENT					
HIGHWAY DEPARTMENT					
SOLID WASTE DISPOSAL & RECYCLING					
PARKS AND RECREATION					
LIBRARY					
CONSERVATION					
COMMUNITY & ECONOMIC DEVELOPMENT					
WATER SUPPLY, DISTRIBUTION, TREATMENT					
SANITARY SEWER & SEWAGE TREATMENT					
TOTAL MUNICIPAL CAPITAL EXPENDITURE					
SCHOOL CAPITAL COSTS: LOCAL SHARE					
TOTAL CAPITAL BUDGET RECOMMENDED					

Conduct a CIP "Self-Audit"

It is recommended that a "paper trail" of the preparation of the CIP be maintained during the process to document compliance with the RSAs. While a capital improvements program is an unlikely object for direct legal challenge, impact fees or growth management ordinances based on the CIP are more likely targets. A challenge to the validity of such ordinances may lead to a review of the procedures and content of the CIP as a foundation planning document.

As a final check on its CIP process, the planning board can conduct its own "self-audit" checklist of compliance with the minimum statutory requirements, and consistency with recommended planning practice, by reviewing the following:

- Has the planning board adopted a master plan?
- Did the local legislative body authorize the planning board to prepare and amend a CIP?
- Does the CIP classify projects according to their urgency and need and include a recommended time sequence for implementation?
- Was the program based on information submitted by municipal departments and agencies, the school board, and others contacted by the planning board?
- Does the CIP take into account public facility needs indicated by prospective development as shown in the master plan or those permitted by land use controls?
- Did the planning board solicit public input at a properly-noticed public hearing in the same manner required for master plan adoption?
- Following the public hearing, did the planning board vote to adopt the CIP?
- Did the planning board transmit its current year capital budget recommendations to the executive officer(s) of the city or town and to the budget committee, school board, and special purpose districts or precincts whose capital needs are addressed in the CIP?

If the answer to any of these questions is "no", the capital improvements programming and implementation process is incomplete. The board should add any missing information or documentation to bring the CIP to a successful conclusion.